



**MEETING OF THE RETIREMENT BOARD
OF THE COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND
OF COOK COUNTY AND EX OFFICIO FOR THE FOREST PRESERVE DISTRICT
EMPLOYEES' ANNUITY AND BENEFIT FUND OF COOK COUNTY
33 N Dearborn St, Suite 1000
Chicago, IL 60602**

Minutes for the December 5, 2013 Meeting of the Board

The County Employees' and Officers' Annuity and Benefit Fund of Cook County and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County are herein collectively referred to as the "Fund."

Call to Order and Roll Call

Trustees Present: John E. Fitzgerald, Diahann Goode, Alexis Herrera, Robert Janura, Brent Lewandowski, Patrick McFadden, Patrick Nester, Samuel Richardson, Jr. and Lawrence Wilson

Staff Present: Nickol R. Hackett, Executive Director & CIO; Michael Maratea, Director of Finance; Paul Rzeszutko, Director of Annuity Benefits; Brenda Deming, Director of Health Benefits; David Cholewa, Director of Systems and Project Management; Margaret Fahrenbach, Legal Adviser; Gary LeDonne, Senior Benefit Advisor; Rachel Farris, Manager of Communications; Colleen Lakis, Comptroller; Beverly Romanini, Executive Administrative Assistant

Others Present: Mary Pat Burns, Burke Burns & Pinelli, LTD; Katie Sabo, Commissioner Gainer's Office; Rick Baert, Pensions & Investments; Sharon Piet, Podesta; Angela Myers, Loop Capital; Valenia Draus and two of her unidentified family members

Public Comment

President Fitzgerald opened the floor for public comment. Ms. Valenia Draus then introduced herself as the ex-wife of Mr. Lawrence Draus. She stated that she receives a portion of the annuity benefits paid to Mr. Draus pursuant to a QILDRO and that she would be negatively impacted if the Board were to find that Mr. Draus' annuity benefits should be forfeited due to his recent felony conviction.

1. Review and Consideration of:

- a. November 7, 2013 Board Meeting Minutes.

It was moved by Trustee Richardson and seconded by Trustee McFadden that the minutes of the November 7, 2013, Board Meeting be adopted.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

- b. Bills, Payroll Records, Annuities, Spouse and Child Annuities, Ordinary and Duty Disabilities, and Refunds.

The Fund's monthly bills and payroll records were presented for the Board's approval.

It was then moved by Trustee McFadden and seconded by Trustee Herrera that the action taken by the Fund's staff in remitting payments for the presented bills and payroll records be approved.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester,
Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

- c. Annuities, Spouse and Child Annuities and Refunds

The Fund's staff presented their recommendations to the Board regarding the applications for annuities, spouse and child annuities and refunds and confirmed that they followed the Fund's procedures in reviewing and processing the applications in making their recommendations.

It was then moved by Trustee McFadden and seconded by Trustee Goode, having received confirmation from the staff that they followed the Fund's procedures in reviewing and processing the applications, that the recommendations for the presented annuities and refunds be approved.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester,
Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

- d. Ordinary and Duty Disabilities

The Fund's staff then presented their recommendations to the Board regarding the applications for ordinary and duty disability benefits and confirmed that they followed the Fund's procedures in reviewing and processing the applications in making their recommendations.

It was then moved by Trustee Goode and seconded by Trustee Nester having received confirmation from the staff that they followed the Fund's procedures in reviewing and processing the applications, that the recommendations for the presented ordinary and duty disability applications be approved.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

2. Administrative Report

a. Purchase Authorization

Ms. Nickol R. Hackett, stated that the Fund was seeking authorization to purchase one (1) color and one (1) black and white printer from Chicago Office Technology Group ("COTG"). The new color printer would supplement the current Canon printer and the new black and white printer would replace the Kyocera printer that is eight years old. The current printers are aging and have increasing maintenance issues. Ms. Hackett stated that the Board had previously given the Fund authority to lease two printers, but the Fund staff could not negotiate acceptable lease terms. COTG had agreed to sell two printers to the Fund for a total of \$18,000 if the sale could be closed before the year-end. The Fund staff determined that purchasing two printers as proposed, rather than leasing them, would result in an estimated savings of \$27,840 to the Fund over five years.

It was moved by Trustee McFadden and seconded by Trustee Richardson that the Fund may purchase one (1) color Xerox printer and one (1) black and white Xerox printer from the COTG at a combined cost not to exceed \$18,000 and that the Fund staff is authorized to take all action reasonably necessary to effectuate the foregoing including the execution and delivery of related agreements on behalf of the Fund by the Executive Director

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

b. Travel Approval – Callan National Conference

The Executive Director next reported that the Fund's Investment Consultant, Callan Associates, would present their Annual National Client Conference on January 27-29, 2014, in San Francisco, California, and that representatives from the Fund are invited to attend. In addition to herself, Ms. Hackett stated that Trustee Janura and Trustee Nester expressed

interest in attending the conference. The trustees' attendance could be used to satisfy the training required for trustees by the Pension Code.

It was moved by Trustee McFadden and seconded by Trustee Richardson, consistent with the recommendations of the Fund's professional staff and the Fund's counsel, that the expenses, including any associated travel expenses, incurred by Trustee Janura, Trustee Nester and Ms. Nickol Hackett in attending the 2014 Callan 34th Annual National Conference in San Francisco, California on January 27-29, 2014, at a projected cost of \$6,500 be approved, provided that reimbursement shall be in and for amounts consistent with the Fund's Travel Expense Reimbursement Policy.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

3. Investment Committee Matters

a. Investment Committee Recommendations

The Executive Director & CIO reported that the Investment Committee had completed the International Equity Emerging Manager search as part of the Fund's 2012 Structure Implementation to obtain its target asset allocation for the County Fund. Callan and the Fund Investment staff conducted evaluations and due diligence regarding the qualified RFP responders. Upon invitation, Ariel Investments and Lombardia Capital Management made presentations at the Investment Committee meeting on November 21, 2013. Having satisfied additional due diligence requirements, the Board considered both candidates for direct allocations of \$50 million to be allocated to Ariel Investments and \$25 million to be allocated to Lombardia Capital Management. The mandates would be funded from the State Street international equity passive account. Ms. Hackett advised the Board that further review of the international equity structure would occur as part of the 2014 investment plan.

It was moved by Trustee McFadden and seconded by Trustee Lewandowski that the Board approve the selection of Ariel Investments for a direct allocation of \$50 million and Lombardia Capital Management for a direct allocation of \$25 million as International Equity Emerging Managers for the County Fund to be funded from the State Street international equity passive account, subject to successful contract negotiations. It is further moved that the Fund Investment Staff and Executive Director be authorized to take all action reasonably necessary to effectuate the foregoing, including the execution and delivery of related written agreements by the Executive Director on behalf of the County Fund.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester, Richardson

PRESENT: Wilson
NAYS: None

Vote Result: MOTION ADOPTED

The Executive Director & CIO next stated that the Emerging Managers Investment Sub-Committee (“EMIC”) at their meeting on November 14, 2013, had recommended that a follow-on allocation of \$25 million be made to the Channing Small/Mid Cap Value portfolio for the County Fund. The EMIC’s recommendation was based on the successful partnership with Channing Capital Management which included significant asset and firm growth with the support of the Fund’s emerging manager program as well as consistent out-performance. The EMIC recommended that the allocation be made from the Russell SMID value passive portfolio.

It was moved by Trustee McFadden and seconded by Trustee Lewandowski that the Board approve the recommendation of the Investment Committee and the EMIC and, as is consistent with the objectives and guidelines of the Fund’s Emerging Manager of Manager Program, that \$25 million be transferred from the Russell SMID value passive portfolio on behalf of the County Fund and allocated to the Channing Small/Mid Cap Value portfolio and to engage a transition manager for pre-bid analysis and implementation. It is further moved that the Fund Investment Staff and Executive Director be authorized to take all action reasonably necessary to effectuate the foregoing, including the execution and delivery of related written agreements by the Executive Director on behalf of the County Fund.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester,
Richardson
PRESENT: Wilson
NAYS: None

Vote Result: MOTION ADOPTED

The Executive Director & CIO then stated that the EMIC had made recommendations for the target range goals for the utilization of emerging investment managers and minority broker dealers at their meeting on November 14, 2013.

As a % of Asset Class

	Target Emerging Manager Goals
Domestic Equity	15-20%
Intl. Equity	10-15%
Fixed Income	25-30%
Alternatives	10-15%

As a % of Total Fund

	Target Emerging Manager Goals
Minority	10-15%
Women	2.5-5%
Disabled	0-1%

	Target Brokerage Utilization Goals
Domestic Equity	35%
Intl. Equity	10%
Fixed Income	10%
Alternatives	40%

The Board discussed that target range goals recommended by the EMIC and it was then moved by Trustee McFadden and seconded by Trustee Lewandowski that the Board approve the recommendation of the EMIC to affirm the target range goals for the utilization of emerging investment managers as presented.

Vote Result: **MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

It was also moved by Trustee McFadden and seconded by Trustee Lewandowski that the Board approve the recommendation of the EMIC to affirm the target range goals for the utilization of minority broker dealers as presented.

Vote Result: **MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

4. Systems/DMS Report

David Cholewa, Director of Systems and Project Management provided a status report about the document management system project (“DMS”) currently in progress. The project has required the installation and configuration of base software (Laserfiche) which will be used to electronically scan documents for both workflow and retention purposes. Some PBMS updates have been made to interface with Laserfiche and the benefit staff has been trained to use the new systems. A scanning vendor, Datamation, has been vetted and retained for off-site scanning. The Fund’s records are mostly compromised of member’s files and approximately 7,000 of such files have been reviewed and prepared for scanning by utilizing temporary staff. Mr. Cholewa reported that for 2014, the Fund planned prepare to implement a workflow process utilizing the new system. In 2015, documents relating to non-benefit matters would be scanned into DMS. To date, the Fund has spent approximately \$203,000 on the project.

The trustees discussed the resource allocation between the vendors and the Fund staff to control costs and increase security. They also discussed how the recent amendment to the Pension Code allowing the Fund to maintain electronic copies as original records would be coordinated with DMS and the Local Records Act. The trustees recommended more frequent updates on the status of the project be made to the Board.

5. Legal Report

a. Lawrence Draus – Felony Conviction

Margaret M. Fahrenbach, Legal Advisor, reported that on November 19, 2013, Mr. Lawrence Draus, a current annuitant and former Cook County Sheriff pled guilty to a felony in the United States Court for the Northern District of Illinois and was sentenced to 30 months imprisonment. Ms. Fahrenbach reported that the Board needed to determine whether Mr. Draus' criminal activity related to his service as a County employee and referred the Board to the Plea Agreement and other materials that described his misconduct. It was also represented that the monthly annuity benefit due to Mr. Draus on December 1, 2013, had been suspended until the Board could determine whether his annuity should be revoked.

It was then duly moved and seconded that the Board should convene a Special Meeting on December 19, 2013, at 9:00 a.m. to consider whether Mr. Draus had forfeited his right to annuity benefits and it was further moved that Fund counsel should send notice to Mr. Draus of the Special Meeting and advise him of his right to appear and be heard before the Board.

Vote Result: **MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

6. 2014 Budget Presentation

a. 2014 Budget Approval

The Executive Director presented the Board with a summary of the Fund's performance for 2013. She stated that the Fund has maintained high customer service levels within a conservative operating structure observing that the trend in operating expenses has declined on a per annuitant basis as membership has grown. Among the highlights were legislative changes to administrative rules, the formulation of a health strategy, favorable settlements, transitioning of the new staff in key roles, new project launches and asset growth. The investment portfolio reached a peak market valuation of \$8.8 billion as of November 29, 2013 and both Funds delivered above-benchmark performance. The 2013 expenditures are expected to be within 1% of the 2012 expenditures and projected to be 15% below budget.

The Executive Director highlighted initiatives for 2014 which include comprehensive system enhancements, health strategy implementation, member outreach, as well as policy and operational reviews. Ms. Hackett further reported that the 2014 budget proposal represents an increase of 7.30% over the 2013 budget, primarily due to technology and infrastructure spending initiatives as well as additional costs associated with benefit changes, operational improvements, and advisory services.

It was moved by Trustee McFadden and seconded by Trustee Herrera, consistent with the recommendations of the Fund's staff, that the Fiscal Year 2014 Administrative Budget be adopted.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester, Richardson

PRESENT: Wilson

NAYS: None

Vote Result: MOTION ADOPTED

b. Trustee Education and Travel Pre-Approval

The Executive Director provided an updated on the status of the trustees eight hour education fulfillment requirement and opportunities for 2014 relating to their duties. The Fund prepared a list of conferences and seminars to be held 2014 that fulfill this requirement. It was noted that the list would be updated periodically as more information becomes available for upcoming events. The Board discussed the value in attending such conferences and proposed that seminars conducted by the National Conference on Public Employee Retirement Systems ("NCPERS") should also be included.

It was moved by Trustee McFadden and seconded by Trustee Richardson, consistent with the recommendations of the Fund's professional staff and the Fund's counsel, that the expenses, including any associated travel expenses, incurred by any Trustee or Fund staff in any of the indicated educational conferences be approved, including the NCPERS conferences, provided that reimbursement shall be in and for amounts consistent with the Fund's Travel Expense Reimbursement Policy.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Janura, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

7. Trustee Matters

a. Trustee Appointment

It was noted that Lawrence Wilson, Comptroller for Cook County, had joined the Board as an appointed member.

b. 2014 Election of Officers & Committee Assignments

Trustee Fitzgerald presented a list of officers and proposed committee assignments. Trustee Goode stated that the Board should give more consideration to new trustees in serving on committees. Trustee McFadden discussed whether the board should continue to allow trustees who are not committee members, to vote on matters before that committee should

the trustee be present. Based on the discussion of the recommendation, Mary Pat Burns offered to revisit the Roberts Rules of Order for committee assignments and voting and report back to the board.

It was moved by Trustee McFadden and seconded by Trustee Nester that the following members of the Retirement Board shall serve, respectively, as Officers, until a successor is elected: Alexis Herrera, President; Lewandowski, Vice-President; and Trustee McFadden, Secretary.

Vote Result: **MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

It was then moved by Trustee McFadden and seconded by Trustee Nester that all the members of the Retirement Board shall serve on the Investment Committee and that Trustee McFadden shall serve as Chairman and it was further moved that all so named shall serve, respectively, until a successor is duly elected or appointed.

Vote Result: **MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

It was then moved by Trustee McFadden and seconded by Trustee Nester that the following members of the Retirement Board shall serve on the Emerging Manager Investment Sub-Committee: Trustee Janura, Chairman; Trustee Goode; Trustee Wilson; Trustee Nester and Trustee Richardson and it was further moved that all so named shall serve, respectively, until a successor is duly elected or appointed.

Vote Result: **MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

It was then moved by Trustee McFadden and seconded by Trustee Nester that the following members of the Retirement Board shall serve on the Health Benefit Committee: Trustee Fitzgerald, Chairman; Trustee Herrera, Trustee Lewandowski; Trustee McFadden and Trustee Nester and it was further moved that all so named shall serve, respectively, until a successor is duly elected or appointed.

Vote Result: **MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

c. 2014 Meeting Scheduled – Proposed

The Board considered the proposed schedules for the Board's regular monthly meetings and the schedules for the committee meetings. The Board discussed that the schedules for the committee meetings required further consideration, with the specific request that the Investment Committee meetings be scheduled on Tuesdays.

It was moved by Trustee McFadden and seconded by Trustee Richardson, consistent with the recommendation of the Fund's professional staff and the Fund's counsel, that the proposed 2013 Meeting Schedule for the Board's regular monthly meeting be adopted.

Vote Result: **MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE**

8. New Business

There was no old business or new business discussed.

There being no further business before the Board, the meeting was adjourned.

The next Board meeting is scheduled for January 9, 2013, at 9:30 a.m.